

MAY. 4. 2006 9:10AM

NO. 0231 P. 2



DEPARTMENT OF HEALTH & HUMAN SERVICES

Program Support Center
Financial Management Service
Division of Cost Allocation

26 Federal Plaza-Room 41-122
New York, New York 10278
PHONE: (212)-264-2069
FAX: (212)-264-5478

May 1, 2006

Mr. Martin Benison
Comptroller
The Commonwealth of Massachusetts
Office of the Comptroller
One Ashburton Place, Room 901
Boston, MA 02108

Dear Mr. Benison:

By letter dated January 4, 2006 your office transmitted proposed Fringe Benefit rates to cover the fiscal year ending June 30, 2007. The proposal, based on actual costs for the year ended June 30, 2005, provided for two rates, i.e., 30.98% applicable to all regular employees except "uniformed" employees (justices, police, corrections, and parole officers), and 40.65% applicable to uniformed employees. These rates include the costs for Group Insurance, Retirement, and Terminal Leave. The proposal was subsequently amended on April 10, 2006 to include an additional rate of 1.31% applicable to all regular, uniformed and contractual employees for the costs of Unemployment Insurance, Universal Health Insurance and Medicare Tax.

Based on our review of your proposal, rates of 31.28% (Group Insurance - 22.23%, Retirement - 7.85%, Terminal Leave - 1.2%), and 42.08% (Group Insurance - 22.24%, Retirement - 18.94%, Terminal Leave - .90%) are approved for regular and uniformed employees, respectively, covering the period July 1, 2006 through June 30, 2007. The additional rate of 1.34% (Unemployment Insurance - .27%, Universal Health Insurance - .04%, Medicare Tax - 1.03%) is approved for all regular, uniformed and contractual employees. The approved rates include carry-forward amounts of under-recovery of \$9,839,453 for uniform employees and over-recovery of \$8,163,508 for all other employees. These amounts should be considered when computing rates based on actual costs for the fiscal year ending June 30, 2007.

This approval is based on information provided by the State and is void if the information is later found to be materially incomplete or inaccurate. In addition, this approval is subject to the following conditions with respect to the submission of your next proposal based on actual costs for the fiscal year ending June 30, 2006, which must be submitted by December 31, 2006:

1. The Salary and Wage (S&W) base will include a reconciliation of the amounts per the payroll systems with the amounts reflected in MMARS, which is the basis of the submission.

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2. With respect to the Retirement component:

The Commonwealth will submit all actuarial and financial reports prepared, whether they relate to payments to the pension system or actuarially determined amounts.

3. With respect to the Group Insurance component:

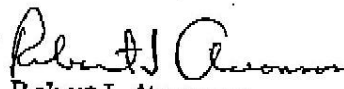
a. Provide copies of Financial Statements, including expense details, covering the:

- (1) Rate Stabilization Reserve
- (2) State Employees' Trust Fund
- (3) Employee Withholding Trust Fund

b. If expenditures noted above are included in the FB proposal, provide a justification.

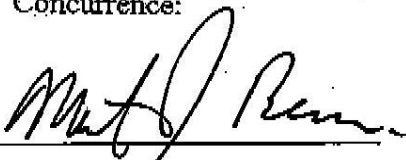
In addition, please acknowledge your concurrence with the comments and conditions cited by signing this letter in the space provided below and FAX (212-264-5478) it back to this office. If you have any questions, please contact my office at (212) 264-4300.

Sincerely,


Robert I. Aaronson
Director, Division of
Cost Allocation

Enclosures

Concurrence:

Martin J. Benison

Name

Comptroller

Title

May 1, 2006

Date